

DISTRICT COURT, ARAPAHOE COUNTY, COLORADO 7325 S. Potomac Street Centennial, Colorado 80112	EFILED Document CO Arapahoe County District Court 18th JD Filing Date: Jul 28 2008 4:39PM MDT Filing ID: 20830663 Review Clerk: Julian Brown
<hr/> STATE OF COLORADO, ex rel. JOHN W. SUTHERS, ATTORNEY GENERAL, Plaintiff, v. HOME MORTGAGE SOLUTIONS, INC.; TOAN Q. ("JAMES") LE, individually and as president thereof; AN T. NGUYEN, individually and as vice-president thereof; and LEONARD D. SMITH, individually Defendants.	<hr/> <p style="text-align: center;">▲ COURT USE ONLY ▲</p>
Attorneys for Plaintiff: JOHN W. SUTHERS Attorney General OLIVIA C. DEBLASIO, 35867* Assistant Attorney General ANDREW P. MCCALLIN, 20909* First Assistant Attorney General 1525 Sherman Street, 5 th Floor Denver, CO 80203 (303) 866-5079 (303) 866-4916 Fax *Counsel of Record	Case No.:
<p style="text-align: center;">COMPLAINT</p>	

Plaintiff, the State of Colorado, upon relation of John W. Suthers, Attorney General for the State of Colorado, by and through undersigned counsel, states and alleges as follows:

INTRODUCTION

1. This is an action brought by the State of Colorado pursuant to the Colorado Consumer Protection Act, Colo. Rev. Stat. §§ 6-1-101 through -1001 (2007) ("CCPA"), to enjoin and restrain Defendants from engaging in certain unlawful deceptive trade practices,

for statutorily mandated civil penalties, for restitution and disgorgement, and for other relief as provided in the CCPA.

PARTIES

2. John W. Suthers is the duly elected Attorney General of the State of Colorado and is authorized under Colo. Rev. Stat. § 6-1-103 (2007) to enforce the provisions of the CCPA.

3. Defendant Home Mortgage Solutions, Inc. (“HMS”) is an independent Colorado mortgage broker that markets and originates home loans to Colorado residents. Defendants Toan Q. (“James”) Le and An T. Nguyen are the sole owners. HMS is located at 5990 Greenwood Plaza Blvd., #200, Greenwood Village, Colorado 80111.

4. Defendant Toan Q. (“James”) Le co-owns HMS and serves as the president and registered agent of the company and is a mortgage broker licensed by the Colorado Division of Real Estate, mortgage broker license number LMB100016412. Defendant Le developed and drafted HMS’s marketing materials advertising Option ARM loans and directed their distribution to Colorado consumers. Defendant Le trained and mentored HMS loan brokers and facilitated lender training on the option ARM loan product which he required HMS brokers to attend. Defendant Le also originated option ARM loans to Colorado consumers. Defendant Le conceived of and directed the practices and policies of HMS to such a degree as to make him personally liable for the deceptive trade practices alleged herein.

5. Defendant An T. Nguyen co-owns HMS and serves as vice-president of the company and is a mortgage broker licensed by the Colorado Division of Real Estate, mortgage broker license number LMB100015187. Defendant Nguyen had knowledge of and sanctioned the content and distribution of HMS’s marketing materials advertising Option ARM Loan products. Defendant Nguyen trained and mentored HMS loan brokers and directed the processing of loans, including Option ARM loans. Defendant Nguyen also originated Option ARM loans to Colorado consumers. Defendant Nguyen had knowledge of and directed the practices and policies of HMS to such a degree as to make her personally liable for the deceptive trade practices alleged herein.

6. Defendant Leonard D. Smith is the branch manager of HMS and a subcontracting broker for HMS, doing business as Mortgage Consulting and Credit Services, LLC (“MCCS”). Defendant Smith is a mortgage broker licensed by the Colorado Division of Real Estate, mortgage broker license number LMB100015732. Defendant Smith served as branch manager for HMS from 1999 through 2007. Defendant Smith implemented the policies and procedures at HMS, trained and mentored HMS brokers, and originated and sold at least 14 Option ARM loans through HMS since 2003.

JURISDICTION AND VENUE

7. Pursuant to Colo. Rev. Stat. § 6-1-103 and § 6-1-110(1) (2007), this Court has jurisdiction to enter appropriate orders prior to and following an ultimate determination of liability.

8. The violations alleged herein were committed in part in the County of Arapahoe, Colorado. Therefore, venue is proper in Arapahoe County, Colorado pursuant to Colo. Rev. Stat. § 6-1-103 and Colo. R. Civ. P. 98 (2007).

RELEVANT TIMES

9. The conduct that gives rise to the claims for relief contained in this Complaint began in August 2003 and continued through June 2007. This action is timely brought pursuant to Colo. Rev. Stat. § 6-1-115.

PUBLIC INTEREST

10. Through the unlawful practices of their business or occupation, Defendants have deceived, misled, and financially injured numerous Colorado consumers. Therefore, the Colorado Attorney General believes these legal proceedings are in the public interest and are necessary to safeguard citizens from Defendants' unlawful business activities.

GENERAL ALLEGATIONS

I. Defendants' Marketing Plan

A. The Option ARM Loan

11. HMS is an independent mortgage broker that markets and originates home loans to Colorado consumers. Defendants Le and Nguyen launched HMS in 1997 and eventually grew the company such that in 1999 they incorporated and hired Defendant Smith to serve as branch manager and to originate and sell home loans. HMS dissolved on August 22, 2007 after ceasing operations on or about June 2007.

12. HMS entered into agreements with more than 50 lenders to originate and sell prime and subprime loans. On or about August 2003 through June 2007, HMS marketed and sold a specialized loan product called an "Option ARM loan."

13. An "Option ARM loan" appears to be a traditional adjustable rate mortgage. In actuality, it contains some features that are much different from a traditional ARM and which

can make this loan unaffordable to the borrower. The option ARM typically allows the borrower to choose from a few monthly payment options, including: a) an amortizing payment of interest and principal, b) an interest-only payment, or c) a minimum payment that is calculated using a low teaser rate. Because this teaser rate is usually lower than the actual interest rate, a borrower who makes the minimum payment is not paying all of the interest due that month. As a result, the unpaid interest is being added to the loan principal, resulting in a phenomenon known as “negative amortization.”

14. In a traditional ARM, the borrower locks in a fixed interest rate for a period of time, typically one to five years, after which the interest rate adjusts periodically based upon a reference rate. In contrast, option ARM loans start out with a low introductory “teaser” rate that only applies for the first month of the loan. After the first month, the interest rate changes periodically, usually on a monthly basis, and becomes a fully-indexed rate. A fully-indexed rate is the current value of the rate index used by the loan, plus a margin which varies from one transaction to another but stays the same through the life of any one loan.

15. Once the interest rate changes to the fully-indexed rate, the teaser rate becomes the minimum monthly payment rate, which is typically lower than the interest rate. As a result, making minimum monthly payments will not cover all of the interest accruing at the fully indexed rate and results in negative amortization.

16. Therefore, if a borrower makes only the minimum monthly payment the negative amortization can cause the loan to reach a “negative amortization life cap.” The negative amortization life cap is reached when the owed principal exceeds a certain percentage of the original principal borrowed, usually 110% or 115%. Thereafter, the minimum payment is adjusted to an amount which would be sufficient to repay the new unpaid principal balance in full on the maturity date at the fully-indexed interest rate. When an Option ARM loan reaches the negative amortization life cap, there is no limit on how much the minimum monthly payment may adjust upward, and it either becomes equal to the fully-amortized payment or is no longer a payment option. This payment shock leaves the borrower obligated to make monthly payments that are sometimes twice as much as their original minimum monthly payment.

17. Option ARM loans typically include a one- or three-year pre-payment penalty which, if the borrower pays off more than a certain percentage of the original principal in the first one or three years of the loan, the borrower must pay a penalty that amounts to a set amount of interest on the remaining principal.

18. An Option ARM loan can easily reach the negative amortization life cap within two years. The negative amortization life cap and prepayment penalties, taken together, have the effect of restricting a borrower’s ability to refinance out of an Option ARM loan before the minimum payment adjusts or is eliminated altogether. Often, by the time the loan reaches the negative amortization life cap, the adjusted minimum monthly payment or fully-amortized payments are far more than what the borrower can afford.

B. Misleading Marketing of Option ARM Loans

19. At any given time, Defendants staffed the HMS office with a dozen brokers and one processor. Although brokers were not hired as salaried employees, Defendant Le drafted HMS' policies and procedures for brokers and required them to maintain office hours. In addition to originating and closing loans, brokers were required to answer phones, make cold calls to potential borrowers, and assist in sending out HMS marketing letters.

20. HMS began marketing option ARM Loan products on or about August 2003 via standardized letters. See, HMS Marketing Letter attached hereto as Exhibit 1. The letters advertised to borrowers that they could get a "New Rate" at 1.95% and a "New Monthly Payment" based on the 1.95% rate. The letters compared the borrower's current loan amount to the advertised loan and advertised a certain amount of savings to the borrower under the advertised loan. The letters advertised that borrowers could get a "Lower monthly payment" and a "Lower interest rate."

21. Defendants structured the marketing letters such that they misrepresented key terms and omitted material information. The letters did not disclose that the loan program advertised was an adjustable rate mortgage. The letters failed to disclose that the new rate was an introductory teaser interest rate and that after a month it would become a payment rate. Instead, borrowers were led to believe that the advertised rate was the interest rate. The letters made a misleading side-by-side comparison of the borrower's current loan and the Option ARM loan program. In so doing, the letter further misled borrowers to believe, once again, that the "new rate" under the advertised loan was the interest rate and that their "new monthly payments" would be based on a fully amortized interest rate. The letter further failed to disclose that making the advertised "New Monthly Payment" may result in negative amortization and the loan recasting.

22. Borrowers' misunderstanding of the Option ARM loan based on the marketing letters frequently went uncorrected by Defendants. In fact, in certain instances Defendants' brokers and, in particular, Defendant Smith perpetuated a borrower's misperceptions of the loan through written "proposal letters" and verbal reassurances at the time of application.

23. Defendant Le conceived and approved of the marketing letters. Defendant Le's signature appears at the bottom of the marketing letters.

24. Defendant Nguyen had knowledge of the letters' content and approved of when, how, and to whom they would be distributed. Although the marketing letters were supposedly mailed only to borrowers with an "A" credit rating, Defendants knew that many of the consumers who may qualify for an Option ARM loan should not be in the loan because it is a risky loan and it would not be in those consumers' best interests financially.

However, Defendants routinely marketed and sold Option ARM loans to any and all borrowers who showed interest in the loan based on Defendants' advertising and sales techniques.

C. Defendants Trained Loan Officers to Omit Material Information When Selling Option ARM Loan

25. Defendants required that their new brokers complete a multi-day training on the fundamentals of originating and closing home loans. Defendants Le, Nguyen, and Smith all participated in the training and subsequent mentoring of HMS loan officers. Defendants further facilitated training provided by lender representatives on particular loan products, including the Option ARM loan.

26. In June 2004, Defendants invited a representative from Chevy Chase Bank to present information on Option ARM loans and provide sales training specific to Option ARM loans. The information provided by Chevy Chase Bank instructed HMS brokers on the structure of the Option ARM loan. Defendant Le required HMS's brokers to attend the presentation.

27. Defendant Le encouraged HMS brokers not to use the phrase "negative amortization" with borrowers, but rather the phrase "deferred interest." Further, HMS brokers were instructed to not disclose that "the interest rate will adjust on monthly basis, but rather that it can go up and down."

28. Defendants Le and Smith believed that if a borrower requested an Option ARM loan, then HMS should sell the Option ARM loan to the borrower and essentially ignore what might otherwise be in the borrower's best interests. For example, Defendant Smith, who trained and mentored several HMS brokers, heavily marketed and sold an Option ARM loan to a 74-year-old minister and his wife who qualified for the loan but who were both in the process of retiring and living on a fixed income. Defendants Smith, Le, and Nguyen knew that Option ARM loans were meant for investors who are comfortable with the risk, but not for 74-year-old borrowers who were retiring on a fixed income.

29. Defendants held weekly office meetings that HMS's brokers were required to attend. In 2005, Defendant Nguyen created smaller "teams" of HMS brokers that were mentored by Defendants Le, Nguyen, and Smith. Despite holding meetings with brokers, Defendants did nothing prior to a closing to ensure that Option ARM loans were being sold to borrowers who could handle the level of risk associated with the loan.

30. When a potential borrower contacted Defendants in response to a marketing letter advertising the Option ARM loan, Defendants perpetuated the misrepresentations made in the marketing letter. Defendants would assign an HMS broker to call the potential

borrower to discuss the loan. The HMS broker would then make an appointment to meet face to face.

31. Defendants instructed brokers to bring a loan application, a good faith estimate, and written proposal letters that took the misrepresentations in the marketing letters to another level. Based on the training facilitated by Defendants, HMS brokers drafted the proposal letters. Proposal letters regarding Option ARM loans typically outlined only the benefits of the Option ARM loan, and failed to provide information about negative amortization and prepayment penalties associated with the loan. See Proposal Letter attached hereto as Exhibit 2.

32. After reviewing the potential borrower's credit history to determine qualification under the Option ARM loan programs, the HMS broker would call the potential borrower to further discuss the loan. If a potential borrower showed interest in the Option ARM loan and requested more information, HMS brokers would provide only a lender's marketing material that typically buried information about negative amortization and failed to address how the borrower might be impacted by prepayment penalties.

33. In fact, Defendants did not require HMS brokers to provide any written, meaningful disclosures at all regarding the Option ARM loan. Defendant Le refused to require HMS brokers to draft any written disclosures concerning Option ARM, even after receiving numerous complaints from borrowers that they had misunderstood the loan prior to closing.

34. Defendants made available to loan officers the lenders' rate sheets pertaining to option ARM loans. "Rate sheets" inform mortgage brokers what the lender is willing to pay at any given time to the broker for selling an Option ARM loan. This payment is often referred to as the Premium or Yield Spread Premium ("YSP"). Various factors dictate the YSP, including whether the broker sold the Option ARM loan with a prepayment penalty attached to it.

35. Defendants and HMS brokers were aware of and highly motivated by the potentially high profits that could be earned by selling Option ARM loans with prepayment penalties. Defendants reported that at least 94 option ARM loans were closed through HMS after January 1, 2004. HMS earned money off of the "points" it charged borrowers and off of the YSP from lenders on each loan. Of the 94 Option ARM loans closed, HMS earned, on average, at least 3 percent or, depending on the loan amount, \$7,000.00 per loan.

36. Defendants charged borrowers an inflated upfront nonrefundable fee of \$65 that was represented to borrowers as the fee to pull a borrower's credit report. At closing, Defendants charged borrowers fees or "points" that typically amounted to one percent of the entire loan amount. Defendants also required HMS's brokers to charge a \$400.00

administrative fee and a \$450.00 processing fee on each loan. In sum, Defendants earned profit on a loan, including Option ARM loans both from the lender and from the borrower.

37. HMS brokers were paid on each loan they closed according to a graduated commission plan. If a broker generated up to \$25,000 per month, that broker received 35% of the net profit earned on each loan closed in that month; if a broker generated up to \$50,000, that broker received 45 percent; if a broker generated more than \$50,000, that broker received 55 percent. Defendant Smith, as a subcontractor, received 85 percent of the net profit earned off of closing a loan that he initiated, and he received 50 percent if the loan was obtained through HMS.

38. Defendant Smith did not dissuade borrowers from purchasing an Option Arm loan. Defendant Smith made a habit of only verbally explaining an Option ARM loan, following up with proposal letters that, again, outlined only the loan's benefits, and referred borrowers to a lender's marketing brochures, but only if they asked.

39. Defendant Smith directly participated in misleading consumers in order to sell Option ARM loans. In addition, Defendant Smith ignored borrowers' circumstances and instead determined whether an Option ARM loan was appropriate for borrowers based solely upon whether (a) they asked for the loan and (b) whether their credit score qualified them.

40. Armed with training on how to sell Option ARM loans and the amount of money that could be earned from selling the loans, Defendants fostered a profit-driven culture at HMS which encouraged brokers to misrepresent or simply omit key terms and conditions of Option ARM products in order to increase sales. Defendant Le told brokers they were "cheap" when they failed to achieve the highest YSP possible on a particular loan.

D. Defendants Misled Consumers in Sales of Option ARM Loans

41. Beginning in July 2004, borrowers who had refinanced into Option ARM loans began making verbal and written complaints to HMS about the loan. Consumers complained: (a) that HMS failed to disclose at the time of application or anytime before closing that purchase of an option ARM loan would result in negative amortization if only the lowest monthly payment was made; (b) that HMS failed to disclose that refinancing into an Option ARM loan meant there would be a one- or three-year prepayment penalty attached; (c) that HMS failed to disclose up front in written material any potential downsides to the loan, including negative amortization and the effect of a prepayment penalty; (d) that HMS failed to explain that the advertised rate was not the rate at which interest would be accruing on the loan and that the actual interest rate might adjust upward; and (e) that HMS misrepresented that the advertised rate was the interest rate and that it was fixed for a one- or five-year period.

42. For example, in April 2004, a borrower responded to an HMS letter that advertised a 1.99 percent rate. This borrower called HMS and discussed the Option ARM loan. The borrower requested and received a letter that outlined only the advantages and benefits of the loan. It stated that the borrower could lower his interest rate from 4.25 percent to 1.95 percent, “fixed for five years.” On May 19, 2004, the borrower closed on the Option ARM loan. Once he received his first statement in the mail, the borrower discovered that the interest rate on the Option ARM loan was higher than his previous loan. Further, the borrower was not made aware of a prepayment penalty until closing. The borrower complained directly to the lender and HMS, specifically Defendant Le, in July 2004.

43. In May 2004, another borrower applied for an Option ARM loan through HMS after receiving a letter advertising that she could save \$1000 per month in mortgage payments. The borrower closed on the loan on June 8, 2004. The borrower did not realize that the actual interest rate was higher than the advertised 1.95 percent until her third mortgage statement which indicated that the actual interest rate was not fixed. She also claims she was not made aware of any prepayment penalty, even at closing. She complained to the Defendants several times and eventually wrote a letter to the Better Business Bureau (“BBB”) on August 16, 2004.

44. In April 2005, Defendant Smith, who managed and mentored HMS brokers, sold a loan to a retiring couple who had received an HMS marketing letter in the mail advertising the Option ARM loan. Defendant Smith drafted a “Proposal” letter to the borrowers that outlined only advantages and benefits of the Option ARM loan and drew a side-by-side comparison of the borrower’s current monthly payment under a 30-year fixed loan versus the lowest monthly payment under the Option ARM loan. See Exhibit 2. The borrowers went to closing on May 23, 2005. After a year of paying the minimum payment, the borrower became alarmed when the interest rate climbed from 6.35 percent to 8.13 percent in one year. The borrower complained directly to Defendant Smith on or about May 2006.

45. Also in 2006, a borrower complained directly to Defendant Smith and the BBB about an Option ARM loan that Defendant Smith had sold to her in October 2003. She complained that, on more than one occasion during discussion of the loan prior to closing, she had asked Defendant Smith whether the Option ARM loan resulted in negative amortization and he had replied that it did not. She realized the loan did in fact have a negative amortization feature when several months later her statement indicated that none of the loan’s principle was being paid down.

46. Although in late 2005 Defendant Le decided to stop distributing the misleading marketing letters to consumers, Defendants began purchasing lead lists and requiring HMS brokers to cold call consumers to market Option ARM loans. It was also around this time that the Defendants verbally instructed all HMS brokers that they were not

to sell Option ARM loans unless they understood the loan and not to provide any written material to consumers about the loan except for the lender's marketing materials. Defendants did nothing to enforce this new instruction and it never became a written policy.

47. In reality, Defendants and many HMS brokers continued to sell the lucrative Option ARM loans and market and sell them through cold calls to consumers. Although Defendants discontinued further formal training by lender representatives, they continued to arm HMS brokers with Option ARM rate sheets and guidelines and access to lender representatives for one-on-one training about Option ARM loan products.

FIRST CLAIM FOR RELIEF

(Knowingly makes false representations as to the characteristics and benefits of goods or services)

48. Plaintiff incorporates herein by reference all of the allegations contained in Paragraphs 1 through 47 of this Complaint.

49. Through the above-described conduct in the course of their business, occupation or vocation, Defendants have knowingly made false representations as to the characteristics and benefits of option ARM loans, in violation of Colo. Rev. Stat. § 6-1-105(1)(e) (2007).

50. By means of the above-described unlawful deceptive trade practices, Defendants have deceived, misled, and unlawfully acquired money from consumers.

SECOND CLAIM FOR RELIEF

(Represents that goods or services are of a particular standard, quality or grade, if he knows or should know that they are of another)

51. Plaintiff incorporates herein by reference all of the allegations contained in Paragraphs 1 through 47 of this Complaint.

52. Through the above-described conduct in the course of their business, occupation or vocation, Defendants represented to consumers that Option ARM loans were of a particular kind and quality when Defendants knew or should have known that they were of another, in violation of Colo. Rev. Stat. § 6-1-105(1)(g) (2007).

53. By means of the above-described unlawful deceptive trade practices, Defendants have deceived, misled, and unlawfully acquired money from consumers.

THIRD CLAIM FOR RELIEF

(Makes false or misleading statements of fact concerning the price of goods or services)

54. Plaintiff incorporates herein by reference all of the allegations contained in Paragraphs 1 through 47 of this Complaint.

55. Through the above-described conduct in the course of their business, occupation or vocation, Defendants made false and misleading statements of fact concerning the costs associated with payments on option ARM loans, in violation of Colo. Rev. Stat. § 6-1-105(1)(l) (2007).

56. By means of the above-described unlawful deceptive trade practices, Defendants have deceived, misled, and unlawfully acquired money from consumers.

FOURTH CLAIM FOR RELIEF
(Failing to disclose material information)

57. Plaintiff incorporates herein by reference all of the allegations contained in Paragraphs 1 through 47 of this Complaint.

58. Through the above-described conduct in the course of their business, occupation or vocation, Defendants failed to disclose to consumers material terms and consequences of option ARM loans, in violation of Colo. Rev. Stat. § 6-1-105(1)(u) (2007).

59. By means of the above-described unlawful deceptive trade practices, Defendants have deceived, misled, and unlawfully acquired money from consumers.

FIFTH CLAIM FOR RELIEF
(Violation of C.R.S. § 38-40-105)

60. Plaintiff incorporates herein by reference all of the allegations contained in Paragraphs 1 through 47 of this Complaint.

61. Through the above-described conduct in the course of their business, occupation or vocation, Defendants:

(a) knowingly advertised, displayed, or distributed, or permitted to be advertised, displayed, or distributed false, misleading and deceptive statements with regard to rates, terms and conditions of Option ARM Loans, in violation of Colo. Rev. Stat. § 38-40-105(1)(a) and Colo. Rev. Stat. § 6-1-105(1)(uu) (2007);

(b) made false promises or misrepresentations or concealed essential or material facts to entice borrowers to enter into mortgage agreements when,

under the terms and circumstances of the transactions, any one of the Defendants knew or reasonably should have known of such falsity, misrepresentation, or concealment, in violation of Colo. Rev. Stat. § 38-40-105(1)(b) and Colo. Rev. Stat. § 6-1-105(1)(uu) (2007);

(d) facilitated the consummation of a mortgage loan agreement that is unconscionable, given the terms and circumstances of the transaction, in violation of Colo. Rev. Stat. § 38-40-105(1)(d) and Colo. Rev. Stat. § 6-1-105(1)(uu) (2007).

62. By means of the above-described unlawful deceptive trade practices, Defendants have deceived, misled, and unlawfully acquired money from consumers.

RELIEF REQUESTED

WHEREFORE, Plaintiff prays for judgment against Defendants and the following relief:

A. An order declaring Defendants' above-described conduct to be in violation of the Colorado Consumer Protection Act, Colo. Rev. Stat. Ann. § 6-1-105(e)(g), (l), (u) (2007) and Colo. Rev. Stat. Ann. § 38-40-105(a)(b) and (d).

B. An order permanently enjoining Defendants, their officers, directors, successors, assigns, agents, employees, and anyone in active concert or participation with Defendants with notice of such injunctive orders, from engaging in any deceptive trade practices as defined in and proscribed by the CCPA and as set forth in this Complaint.

C. Appropriate orders necessary to prevent Defendants' continued or future deceptive trade practices.

D. A judgment in an amount to be determined at trial for restitution, disgorgement, or other equitable relief pursuant to Colo. Rev. Stat. § 6-1-110(1) (2007).

E. An order requiring Defendants to forfeit and pay to the General Fund of the State of Colorado, civil penalties in an amount not to exceed \$2,000 per violation pursuant to Colo. Rev. Stat. § 6-1-112(1) (2007), or \$10,000 per violation pursuant to Colo. Rev. Stat. § 6-1-112(3) (2007).

F. An order requiring Defendants to pay the costs and expenses of this action incurred by the Attorney General, including, but not limited to, Plaintiff's attorney fees, pursuant to Colo. Rev. Stat. § 6-1-113(4) (2007).

G. An order requiring Defendants to pay prejudgment interest, pursuant to C.R.S. § 5-12-102.

H. Any such further orders as the Court may deem just and proper to effectuate the purposes of the CCPA.

Dated this 28th day of July, 2008.

JOHN W. SUTHERS
Attorney General

/s/
OLIVIA C. DEBLASIO, 35867*
Assistant Attorney General
ANDREW P. MCCALLIN, 20909*
First Assistant Attorney General

Consumer Protection Section
Attorneys for Plaintiff
*Counsel of Record

CERTIFICATE OF SERVICE

This certifies that the following documents: Plaintiff's Complaint, Civil Case Cover Sheet, and Summonses, will be duly served upon the following parties herein via **Process Server** and affidavits of service will be filed with the court:

Home Mortgage Solutions, Inc.
Registered Agent: Toan Q. ("James") Le
4870 S. Gaylord St.
Englewood, CO 80232

An T. Nguyen
9630 Sunset Hill Circle
Littleton, CO 80124

Toan Q. ("James") Le
4870 S. Gaylord St.
Englewood, CO 80232

Leonard D. Smith
426 Kenton St.
Aurora, CO 80110

/s/ Orlando H. Martinez

Pursuant to C.R.C.P. 121, § 1-26(7)(8)(9), the original of this document with original signatures is maintained in the offices of the Colorado Attorney General, 1525 Sherman Street 7th Floor, Denver, CO 80203, and will be made available for inspection by other parties or the Court upon request.

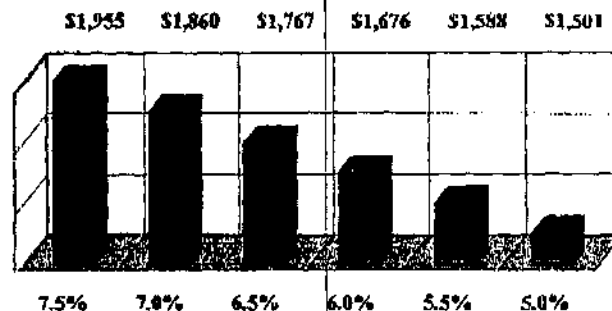
Dear ANDREW [REDACTED],

SAMPLE LETTER

I am contacting you regarding your loan with UNION FEDERAL BANK OF INDIANAPOLIS (or current lender) in the amount of \$269,600. We at Home Mortgage Solutions provide customized loan programs which accommodate all credit situations and employment backgrounds.

Check out your new loan opportunities based upon the following analysis:

Current Mortgage	UNION FEDERAL BANK OF INDIANAPOLIS		
Current Balance	\$269,600.00	New Rate	* 1.95%
Cash Back	<u>\$10,000.00</u>		
New Balance	\$279,600.00	New Monthly Payment	\$1,026



Savings comparison based on \$279,600.00

- Lower monthly payment
- Lower interest rate

- Cash out for debt consolidation or personal use
- Programs for any credit and employment scenario

At no cost, I will help you evaluate your current mortgage. Pre-approval on a new loan is given the same day.

For details, call me today at 303-224-0815.

Sincerely,

James Le

Senior Loan Officer.



8 02404

* Subject to market change. For additional quotes and a pre-qualification, call James Le.

HMS 0002



April 13, 2005

Dear [REDACTED]

The following is a proposal of your new loan.

	<u>Old Monthly Payment</u>	<u>Cash Flow Minimum</u> <u>Payment</u>
\$211,000 Countrywide	\$1,546.00	\$1,249.89
\$48,000 Countrywide	\$250.00	
\$20,000 Auto's	\$296	
\$25,892 CC's/[REDACTED]	\$775	
\$24,507 CC's/[REDACTED]	\$725	
<u>329,399.00</u>	<u>\$3,592.00</u>	<u>vs. \$1,249.89</u>

- Explain

You Save approximately \$2,342 per month!

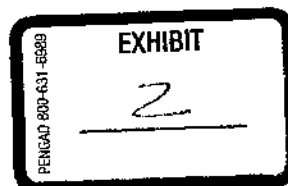
The following are other benefits too your new loan:

- Released capital for home improvements and equity acceleration.
- You create a better tax shelter. (see tax advisor for more details).
- In addition to your minimum payment you also have the option *each* month of paying either the interest only or the fully amortizing payment (15 or 30 years)!
- You will establish a relationship with a reputable mortgage company.
- We will allow you to skip *@ least* one month of mortgage payment(s) after we close on your loan.

Mr. [REDACTED] It was a great pleasure speaking with you today! I certainly appreciate your straight-forwardness as well.

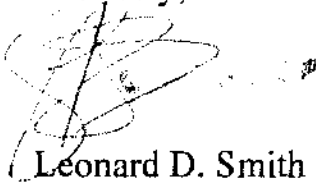
We at Home Mortgage Solutions, Inc. pride ourselves on doing great things for our clients.

Thank you for considering Home Mortgage Solutions as your financial source. Please call with any questions and fill free to contact me to schedule your free initial consultation.



HMS
000465
([REDACTED] Documents)

Sincerely,



Leonard D. Smith

Branch Manger

HMS
000466

(Documents)